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SUBJECT: AMBASSADOR VISITS NORTH CAUCASUS, DECEMBER 4-5

Classified By: Ambassador William J. Burns. Reason: 1.4 (b, d)

SUMMARY

1. (C) Ambassador Burns traveled to the North Caucasus December 4-5 -- the first American Ambassador to visit the region in fifteen years. In Kabardino-Balkaria he discussed with President Kanokov prospects for economic development and political reform. Kanokov provided regional views on frozen conflicts with Georgia. At a roundtable with Nalchik University students, the Ambassador stressed the need to seek areas of cooperation between Russian and the U.S., including exchanges -- an issue the students raised as well. In North Ossetia-Alania, Republic Head Mamsurov castigated Georgia and urged the U.S. to drop its support for the neighboring country. Ambassador visited Beslan School No. 1 and laid a wreath at the cemetery for victims of the 2004 terrorist attack. End Summary.

2. (SBU) The Ambassador visited Nalchik (Kabardino-Balkaria) on December 4 and Vladikavkaz and Beslan (North Ossetia-Alania) on December 5. At events in both republics he noted that he visited the region more than ten years before when he was PolMinCouns. The Ambassador stressed the importance of U.S.-Russian relations to both countries and the U.S. desire to play a role in North Caucasus relief and recovery efforts -- as exemplified by our USD 11 million assistance program for the region. The Ambassador also highlighted the value of exchanges.

Kabardino-Balkaria President Arsen Kanokov

3. (SBU) Kanokov received the Ambassador for a long meeting, accompanied the Ambassador to a student roundtable at the university, and hosted the Ambassador to a lavish dinner. The dinner provided little opportunity for serious talk -- it was punctuated by numerous toasts and a variety of musical acts, including local singers, folkdancers and a xylophonist playing "Carmen." Kanokov opened up afterwards when he drove with Ambassador from the restaurant to the Ambassador's hotel. At the formal meeting and dinner Kanokov was accompanied by PM Andrey Yarin, Deputy PM Madina Dysheкова, Presidential Administration Director Albert Kachesarov, local MFA rep Leonid Filemonov, and Amcit of Kabardian heritage Ibrahim Vuch.

4. (C) Kanokov led off the conversation at the formal meeting by detailing the changes he had made to stabilize the country in the wake of the October, 2005 attack on Nalchik by local and Chechen extremists. He stressed that economic development, with a concomitant increase in employment, is the primary task in creating stability. Kabardino-Balkaria has progressed well in the national priority projects, though housing, as everywhere, is more difficult. The K-B government has begun paying down its Rubles 60 billion debt, and hopes to liquidate it entirely within three years.

Transfers from the federal center are up 24 percent, providing an extra 2.2 billion rubles to build schools and hospitals. Kanokov claimed that ethnic and religious frictions are present but not serious. The republic's problems boil down to one main issue: unemployment. Kanokov has been seeking investment as a way of creating jobs, but stereotypes of the North Caucasus have made potential investors reluctant. Ambassador said he is willing to inform U.S. investors of any projects Kanokov thinks might be attractive.

15. (C) Ambassador asked about Kabardino-Balkaria's external relations, leading to a discussion on South Ossetia, whose referendum Kanokov had just observed. Kanokov thought tensions in the region are increasing, though he admitted that the departure of Georgian DefMin Okruashvili might mark a "slight change" in Georgian policy. Ambassador reiterated the U.S. position in support of Georgia's territorial integrity and a negotiated solution achieved by peaceful means.

16. (C) Later, in the one-on-one conversation on the drive to the hotel, Kanokov admitted to the Ambassador that he is struggling with the clan system in Kabardino-Balkaria. Clan rivalries affect not only politics, but economic projects as well. Clans and factions demand their cut of every project.

Nalchik University Roundtable

17. (SBU) After Rector Karamurзов gave the Ambassador an overview of the university and its physical sciences orientation, the Ambassador addressed 50 students and faculty many of them sitting around a conference table boasting a

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computer monitor at each seat. The Ambassador told the audience that Russia and the U.S. matter to one another not only in traditional security areas but also in facing together the challenges of the 21st century. We should not let day-to-day frustrations cause us to lose sight of areas in which we gain by working together.

18. (SBU) A number of questioners stressed the value of exchanges and lamented that programs such as Open World are no longer as active as they once were. The Ambassador acknowledged the value of exchanges at all levels. Other questioners were interested in the U.S. stance on Russian WTO accession, current American politics, and the Circassian communities in America and Jordan, where the Ambassador previously served.

Vladikavkaz Meeting with Republic Head Mamsurov

19. (C) On December 5 the Ambassador traveled from Nalchik to Vladikavkaz, capital of North Ossetia-Alania, where he met with the republic's head, Teymuraz Mamsurov. Mamsurov was accompanied by Larisa Khabitsova, Chair of the North Ossetian Parliament; Oleg Khatsayev, First Deputy PM (the PM had just been sacked) and Vladimir Tabolov, Chair of the republic's Foreign Relations Committee.

110. (C) Mamsurov gave an often defensive overview of the situation in North Ossetia, saying that the republic, like the rest of the North Caucasus, is recovering from "mistakes made over the last ten years under the slogan of 'reform.'" He stressed the lack of land and the population density of the republic. He touched on vodka production, denying that North Ossetia's preponderance in the field meant that Ossetians are drunkards. To the Ambassador's question on relations with other republics, Mamsurov admitted that there are political problems with both Ingushetia and Chechnya, but asserted that these problems have economic roots.

111. (C) The Ambassador's question on relations with Georgia

opened the floodgates to an outpouring of nationalist rhetoric. "In the 21st century" the Ossetian people must not be divided between two countries, "serving in two different armies," he said; "I cannot imagine my cousin serving in a NATO army." He said charges that South Ossetia's economy is based on counterfeiting and other criminal activity are "shameful." Mamsurov saved his harshest rhetoric for the Georgian leadership, which resorts only to "threats;" Saakashvili, "who has lived little in Georgia," lacks the wisdom and experience to serve his people well.

¶12. (C) Mamsurov warned against accepting the "myth" of democracy in Georgia. "They threw Shevardnadze out like an old dog," he said, "and Shevardnadze himself came to power the same way." The Ossetians could not trust anything Saakashvili says, Mamsurov believed. He criticized U.S. support for Saakashvili, and urged the U.S. to take Georgian rhetoric "more seriously." The Ambassador said the U.S. supports Georgia's territorial integrity and an agreement between Georgia and the South Ossetians to resolve the conflict by purely peaceful means.

UN Heads

¶13. (C) Marie Spaak (OCHA), Jo Hegenauer (UNHCR), Pirita Vuorinen (UNDP), Khairiniso Najmetdinova (WFP), Rasheed Mustafa (UNICEF), Armen Mehrabyan (FAO) and Zoltan Birro (UNDSS) gave Ambassador their overview of the challenges they face in the North Caucasus, stressing the difficulties in promoting economic progress in the face of a brain drain and reluctance of investors to sink funds into the region. Adding to those difficulties are the lack of security, government pressure to give assistance in the form of infrastructure, not technical capacity-building, and government restrictions on movements and NGO registration. OCHA chief Spaak highlighted the demand by the Chechnya IDP committee that all UN agencies move their offices -- and warehouses -- to Chechnya. UNHCR chief Hegenauer noted that UN humanitarian agencies must count on losing most of their funding and ability to operate in the region within the next few years as the focus shifts to development assistance.

NGOs

¶14. (C) U.S. funded NGO heads Amir Omanovich (International Rescue Committee), Zurab Koberidze (International Medical Corps), Siobhan Kimmerlee (World Vision) and Eva Raubisko (Danish Refugee Council) spoke of their difficulties with re-registration (IMC and DRC have been re-registered; IRC and WV are still caught up in the slow iterative process of re-

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and re-re-submitting forms). IRC said it has had to terminate 90 percent of its contracts while awaiting re-registration. IMC's Koberidze said the reporting requirements are as onerous as those for re-registration. There is also a need to reconcile requirements under Russian NGO law with requirements under U.S. non-profit law. Ambassador urged the NGOs to consult with the Embassy's legal team, which has been advising NGOs in Moscow.

Beslan

¶15. (U) Before leaving North Ossetia-Alania Ambassador toured School No. 1, site of the terrorist attack in September, ¶2004. He laid a wreath at the nearby cemetery devoted to the hundreds of victims of the attack.

Observations

¶16. (C) The North Caucasus has attracted international attention for over ten years as a source of instability for

Russia and the region. The security situation is improving, though that may prove elusive: there are strong and violent extremist Islamist elements throughout the region, and they are becoming the main channel for opposition to corrupt and repressive regimes. The last fifteen years of war and collapse have left the North Caucasus poorer and more isolated than before. The U.S. value-added lies in continuing humanitarian assistance and widening exchanges to help reduce that isolation.

BURNS